

Top Deal: Dating for Dog Owners



<https://digdates.com/>

Key Deal Stats

- Raising Platform: Netcapital
- Post-Money Valuation: \$4.6M
- Minimum Investment: \$99
- Security Type: Common Stock
- To date and as of 1/24, Dig Dates Inc. has raised \$6.1K

Dig has been selected as a “Top Deal” by KingsCrowd. This distinction is reserved for deals selected into the [top 10% of our due diligence funnel](#). If you have questions regarding our deal diligence and selection methodology please reach out to hello@kingscrowd.com.

Check out our discussion with Co-Founder & CEO, Leigh Isaacson [HERE](#), which was conducted as part of our due diligence process.

The Problem

In recent years, dating apps have risen dramatically in popularity. Tinder, for example, boasts a membership count of over 50 million monthly users, featuring [4.1 million paying users](#), [2 billion swipes](#) a day, and generating [\\$800M](#) in revenues through 2018.

Even so, a generalized dating site might feature matches that are simply incompatible to an individual's core beliefs in ways that even the most sophisticated algorithms can't predict. As a result, niche sites like Grindr and Bumble that specialize in serving specific audiences have similarly taken off, with Grindr featuring [3.8 million daily active users](#) and estimated annual revenues of over [\\$38.1 million](#). There are now hundreds of dating sites serving all sorts of market segments, with some exclusively serving farmers, and others making matches based on salad preferences.

Yet there are no existing dating sites tailored to dog owners.

54.7% of single adults in the United States owned pets in 2011, up from 46.9% in 2006. Even more, dogs are becoming an increasingly integral part of many families, with 81% of dog owners considering their dogs equal members of their families, and 54% of owners considering themselves more as "pet parents" than "pet owners". With this in mind, single dog owners are very likely to look for partners who are willing to accept dogs into their lives - a service not necessarily achievable through general dating sites.

The Solution

Dig Dating Inc. attempts to serve this untapped market segment with their dating app specifically tailored towards dog owners and dog lovers. By limiting the scope of their audience to individuals who love and appreciate dogs, the site helps to narrow down the traditionally large scope of general

dating sites like Tinder and creates a focused community with a niche demand.

Their app runs users through an algorithm to produce 5 match suggestions a day and has a number of other features geared specifically toward their dog-loving audience. For example, their app suggests dog-friendly locations for dates, daily product deals, and tricks for taking better care of dogs. These features are not only appealing for their ideal market segment but also helps to create opportunities to develop supplementary revenue streams.

Dig's revenue will primarily be derived from the information they gain about their users. Due to their unique reach to a very specific demographic: single dog owners, Dig provides an opportunity for pet brands to advertise their products and boost their brand positioning. Pet food companies, for example, can make targeted promotions on Dig's site to promote brand awareness and increase sales or pay to have their brand featured on Dig.

Pet brands can also leverage the personal information that users provide to the website to learn more about their customer base. Dig's information and consumer reach is useful in a number of ways to a variety of pet brands, and can easily translate into a healthy revenue stream.

Performance

Since it's iOS launch in February 2018, and it's Android launch in October 2018, Dig currently has 14.5K unique users. So far they report a customer acquisition cost of 70 cents per download, with larger targeted marketing campaigns projected to cost the company \$1-\$5 per download. While the company is currently pre-revenue with an indeterminate customer lifetime value, Dig expects to be able to recoup these costs through a combination of their advertising revenue as well as their vendor sales.

The company has also been active in gaining the support of key players in the industry. Due to the potential value of Dig's platform, a number of companies have offered direct investments or indirect support to the execution of their growth plans in the form of introductions to potential strategic targets, or guidance in terms of investments/acquisition targets. The guidance and brand exposure their partners are capable of providing are likely to help ensure Dig's successful adoption by consumers.

Primary Considerations

1. Market Opportunity

Dig's target audience, single dog owners, is a segment of the market with strong growth, and high willingness to pay.

Dog owners share a number of attributes that make them likely to adopt Dig's dating platform. According to [Wag's survey](#) of 3,500 dog owners, 86% consider appreciation of their dogs as a make/break for potential partners. Similarly, 73% of dog owners are more likely to reach out to matches on dating sites if they featured dogs in their profile pictures. Clearly, dogs are an important consideration for relationship potential for many dog owners, and Dig's platform makes the process of finding dog-lovers much more convenient than it would otherwise be.

American households are projected to spend [\\$72.13 Bn](#) on their pets in 2018, 3.7% higher than their pet spending in 2016. This market segment's high spending means that pet brands are likely to enjoy a high amount of return on marketing investment on Dig, making opportunities to advertise or sponsor events on Dig's platform very valuable.

2. Effective Growth Plan

Dig has a promising near-term customer acquisition strategy, based on event-hosting. The company's event specialists find local dog-business sponsors to pay for vendor space where Dig can host their launch events, which feature entertainment, activities, and giveaways. Vendors market Dig and their event and help generate brand awareness, while event specialists are paid by a percentage of sales generated. Such a strategy is inexpensive and easy to replicate in different locations all around the country.

Even more, this customer acquisition model has already proven successful, with their three most recent events generating enough brand awareness to bring in a total of 4,000 iOS app downloads. With their recent successes in mind, Dig hopes to host up to 30 events nationwide throughout 2019 on top of plans to begin digital advertising campaigns.

Their plan for growth is effective and likely to result in strong user growth as it continues to spread its brand awareness.

3. Reliable Revenue Streams

Currently, Dig's revenue comes from pet brands who lease vendor booths for between \$50-\$250 at Dig events. Dig's launch event in Boston for example, had 23 dog-related businesses. While this type of revenue is not likely to generate strong revenue growth, this current strategy helps to cover administrative costs associated with hosting events and boosts the sustainability of their growth program.

Dig plans on introducing two additional revenue streams as its user base grows. While their current advertising is more based on marketing trades, the company hopes to eventually charge companies \$125 to be featured on their "daily deals" or for sponsorship packages. Once the company reaches a user base of 100K users, Dig hopes to begin tiered subscription packages to users, much like Tinder with its Tinder Plus and Tinder Gold.

These practices have already proven successful in other apps. Over 8% of Tinder's user base is willing to pay more for peripheral features. Considering Dig's user demographics and single dog owners' willingness to pay for the wellbeing of their dogs, their subscription services are likely to attract a number of users, especially once their user base grows a substantial amount.

In the long term, Dig plans to derive the majority of its revenues from data mining. The personal information that Dig is able to access about single dog owners is valuable information for pet brands who hope to understand their target markets. As long as Dig is able to grow its user base and neatly package its data to companies, this revenue stream is also likely to succeed.

So, all in all, Dig has demonstrated a variety of ways to capitalize on their service, and with their sustainable growth strategy, these revenue streams are likely to materialize in the next two years.

The Rating: Top Deal

Dig has successfully identified an untapped market segment and created a product with attributes that are specifically tailored to appeal to this audience. Their \$4.6MM market cap may seem high considering their limited revenue generation and their current user base. But, I would argue that a return on investment with Dig is a very likely prospect, considering their efficient and sustainable growth strategy as well as their diverse monetization strategies.

By nature of their targeting a niche market, Dig will never have the size and scale of a generalized dating app like Tinder. Their data, however, which provides targeted information on dog-owners and dog-lovers, is much more valuable than the generalized data that larger dating sites can provide. The

company has a competitive advantage in both attracting new users and selling user information to pet brands, negating the traditional downsides of appealing to a niche market.

From an acquisition standpoint we think a 10X return is very much possible either from a strategic like Chewy.com looking to diversify into the services business or by another dating app looking to grow its user base. The fact that other startups like Bumble are worth over \$1B is promising for future valuation and acquisition exit opportunities. Both the pet/dog market and the dating app market are extremely on-trend and provide a substantial market upside opportunity for entrants like Dig.

Furthermore, we think the sister founding team of [Leigh](#) and [Casey](#) Isaacson are a strong team that are both knowledgeable of their market and just bright young founders worth backing. We felt strongly that this is a highly capable team that has been scrappy and effective in progressing the business forward and will continue to make waves going forward! *(Funny enough, did you know Coffee Meets Bagel, another [major dating app was founded by 3 sisters?](#))*

Given their strategy and product roadmap, we think this is a Top Deal, with an opportunity to generate an outsized return on investment. If interested, be sure to invest [HERE](#).